

702 KAR 3:030. Insurance requirements.

RELATES TO: KRS Chapter 45A, 160.105

STATUTORY AUTHORITY: KRS 156.070, 160.105, 324.045, Chapter 424

NECESSITY, FUNCTION, AND CONFORMITY: KRS 156.070(4) authorizes the Kentucky Board of Education to promulgate administrative regulations necessary for the efficient management, control, and operation of the schools and programs under its jurisdiction. KRS 156.070(5) requires the board to promulgate administrative regulations relating to programs, services, publications, capital construction and facility renovation, equipment, litigation, contracts, budgets, and all other matters which are the administrative responsibility of the Department of Education. KRS 160.105 requires the board to promulgate administrative regulation requiring each school district to provide for fire and extended insurance coverage on nonsurplus buildings, at not greater than replacement cost but allowing for coinsurance and deductible features. This administrative regulation establishes requirements for the level of insurance coverage needed for school district buildings and structures.

Section 1. (1) A local board of education shall procure insurance coverage, which reflects the estimated replacement cost, actual cash values, and the amount of fire and extended insurance coverage provided for each building and its contents owned by the local board of education which is not surplus to its needs as shown by the approved facilities plan.

(2) A building and its contents shall be insured for an amount equal to 100 percent of the replacement cost as shown on the schedule of values certified by the Kentucky Department of Education or as determined through a certified replacement cost appraisal of the building and its contents performed by an appraiser experienced in appraising commercial or governmental property and licensed to perform appraisal services in Kentucky pursuant to KRS 324A.045, and each policy covering the buildings and contents shall provide an agreed amount endorsement.

(3) The replacement cost of the building shall include the increased cost of construction brought about by code changes that have occurred since the original structure was built and which would be required to be incorporated within the rebuilt structure.

(4) The following minimum sublimit shall be required:

- (a) Ordinance and law - \$5,000,000.
- (b) Debris removal - \$1,000,000.
- (c) Extra expense - \$5,000,000.

(5) Despite the required insuring of individual buildings and contents at 100 percent of replacement cost, a blanket limitation on an insurance carrier's liability per occurrence may be procured if:

- (a) An individual district's schedule of values exceeds \$100,000,000; and
- (b) The blanket limitation equals at least \$100,000,000 and at least fifty (50) percent of total replacement costs.

Section 2. Insurance on property specified in Section 1 of this administrative regulation shall be provided by carriers licensed to do business in the State of Kentucky and shall have features that provide for:

- (1) A maximum of eighty (80) percent coinsurance;
- (2) A per occurrence deductible on all perils not to exceed five (5) percent of the prior year's capital outlay allotment or \$25,000, whichever amount is smaller; and
- (3) A replacement cost endorsement.

Section 3. A building requiring insurance and containing a steam boiler shall have boiler and machinery coverage having a limit of liability equal to the total value of the real and personal prop-

erty in the building in which the steam boiler is located.

Section 4. A school district may cover property in a self-insurance pool providing coverage at least equal to the standard of coverage specified in Sections 2 and 3 of this administrative regulation. A self-insurance pool shall be adequately reinsured by a carrier approved to do business in the state of Kentucky and shall provide facilities for insuring all of the property of an individual district to which this administrative regulation applies.

Section 5. If a school building cannot be insured on a replacement cost basis, the policy insuring the building shall carry an agreed amount endorsement, and a certification signed by the local superintendent and board chairman shall be attached to the policy stating that it would not be fiscally responsible to provide replacement cost coverage for the building being insured.

Section 6. Insurance coverage provided for in Sections 2 and 3 of this administrative regulation shall be obtained by local school districts by bids after having advertised for bids, if bids are required by KRS Chapter 45A or 424. (SBE 21.020; 1 Ky.R. 69; eff. 11-13-1974; 9 Ky.R. 254; 488; 779; eff. 12-1-1982; 1036; eff. 4-6-1983; 17 Ky.R. 426; 1352; eff. 10-14-1990; 31 Ky.R. 1582; 1812; eff. 5-26-2005; 36 Ky.R. 2108-A; 2326; eff. 7-2-2010; Crt eff. 11-16-2018.)